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INFO RUEHOO/CHINA POSTS COLLECTIVE

UNCLAS E F T O SECTION 01 OF 04 BEIJING 000265

SIPDIS

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STATE ALSO FOR OES/WATSON AND DEROSA-JOYNT  
STATE PASS CEQ CONNAUGHTON  
STATE PASS CEA FOR BLOCK, SLAUGHTER  
STATE PASS USTR FOR STRATFORD, ALTBACH, WINTERS, CELICO  
STATE PASS FEDERAL RESERVE BOARD FOR JOHNSON/SCHINDLER; SAN  
FRANCISCO FRB FOR CURRAN/LUNG; NEW YORK FRM FOR DAGES  
NSC FOR RHUNTER/JSCHRIER/KTONG  
TREASURY FOR OASIA/INA DOHNER/HAARSAGER/BAKER/CUSHMAN  
TREASURY FOR TAIYA SMITH  
DOE FOR INTERNATIONAL/PUMPHREY AND GEBERT  
EPA FOR INTERNATIONAL/AYRES, FIDLER, MCASKILL  
HHS FOR STEIGER, ELVANDER AND BHAT  
LABOR FOR ILAB

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [ETRD](#) [PREL](#) [CVIS](#) [SENV](#) [ENRG](#) [CH](#)  
SUBJECT: SED SESSION FIVE: ENERGY, ENVIRONMENT AND  
SUSTAINABLE DEVELOPMENT

REF: A. BEIJING 259  
[1](#)B. BEIJING 262  
[1](#)C. BEIJING 263  
[1](#)D. BEIJING 264

[1](#)1. (SBU) Summary: In the December 15 Strategic Economic Dialogue (SED) session on energy, environment, and sustainable development, National Development and Reform Commission Chairman Ma Kai, Department of Energy Secretary Samuel Bodman, State Environmental Protection Administration Minister Zhou Shengxian and Environmental Protection Agency Administrator Stephen Johnson all emphasized the need for increased cooperation on energy and environmental issues. Minister of Finance Jin Renqing stressed that the United States has leading energy efficient/environmentally friendly technologies and that China wants to buy them. Minister Jin promised that the Ministry of Finance would use government policy to encourage Chinese companies to use more energy efficient environmentally friendly technologies. End Summary.

NDRC Chairman Ma Kai: China No Energy Threat  
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[1](#)2. (SBU) National Development and Reform Commission Chairman (NDRC) Ma Kai's presentation to open session five of the Strategic Economic Dialogue (SED) countered the argument that China is a threat to world energy security. Chairman Ma stated that China successfully solved its energy needs, with about 92 percent being sourced domestically compared to 70 percent for OECD countries and 62 percent for the United States. Chairman Ma stated that China is confident about its ability to meet future energy demand because of its great resource development potential.

[1](#)3. (SBU) Chairman Ma also sees huge potential for energy

savings: first, by moving away from energy intensive industries; second, by taking advantage of new technologies such as efficient coal-fired boilers; and third, by conserving energy, including through pricing of resources.

14. (SBU) Chairman Ma stated that China faces a serious environmental challenge because of its reliance on coal. China will first address this problem by reducing energy consumption. Second, China will use improved technology such as Integrated Gasification Combined Cycle (IGCC) coal-fired power plants, desulfurize existing plants, and use other clean coal technologies. Chairman Ma stated that China will readjust its energy mix to reduce the amount of coal and increase clean energy such as natural gas, nuclear and hydroelectric. He predicted that China's ratio of renewable energy will increase from the current 7 percent to 16 percent by 2020.

15. (SBU) Chairman Ma stated that China and other developing countries must chose a more energy efficient path of industrialization but that growth of developing countries must not be restricted. He said that developed countries should bear more responsibility for sustainable development through increased investment in energy efficiency and technology transfer since the developed countries consumed most of the world's energy and resources. He made proposals for future cooperation in the following areas: the Energy Policy Dialogue; energy conservation and energy efficiency; renewable and alternative energy; clean energy technology; oil reserve technology and management; and multilateral cooperation, including joint investment in third world countries.

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USDOE Bodman: Energy Projections and Energy Security

16. (SBU) Department of Energy (DOE) Secretary Samuel Bodman stated he does not believe that China and the United States should be competitors for energy resources, but rather cooperate, such as in the Asia Pacific Partnership (APP) and the Carbon Sequestration Forum. He stated that the United States has improved energy efficiency and is ready to share our experiences, including appliance standards, research on biofuels and possibly the Global Nuclear Energy Partnership (GNEP). Secretary Bodman stated that the most important area for cooperation is on clean coal and that he is pleased with China's participation in Futuregen, a zero emission coal-fired power plant. He also stated that a large investment in new technologies needs to start today and that a better investment climate in China will help. Secretary Bodman urged China to welcome foreign companies in its energy markets. He hopes China will focus on securing access to energy resources and not ownership of resources as the first is a more flexible and reliable strategy.

SEPA Minister Zhou

17. (SBU) State Environmental Protection Administration (SEPA) Minister Zhou Shengxian said that the State Council now attaches equal importance to economic growth and environmental protection with less reliance on administrative measures. He stated that SEPA's major tasks include pollution prevention and control; ensuring safe drinking water and ecological conservation. Minister Zhou referred to the 11th Five-Year Plan goals of energy intensity reduction of 20 percent by 2010 and 10 percent reduction in overall pollutants. He emphasized the importance of international environmental cooperation, especially with the United States.

EPA Administrator Johnson

¶8. (SBU) United States Environmental Protection Agency (EPA) Administrator Stephen Johnson outlined the benefits of EPA's Acid Rain Program. He said that the program used economic incentives to encourage investments in new technologies. Another success story is in the transportation sector, where by requiring better quality fuels and encouraging cleaner engine technologies, the United States saved USD 175 billion in health benefits. He outlined how Methane to Market (M2M) Partnerships in the United States have reduced methane by 10 percent from 1990 levels and he commended China, as a founding member of the partnership, on hosting the 2007 M2M Expo. Johnson also outlined the United States' Energy Star program, an energy efficient appliance labeling system. Johnson welcomed increased cooperation with China on clean coal and Futuregen.

MOST Minister XU  
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¶9. (SBU) Ministry of Science and Technology (MOST) Minister Xu Guanhua stated that as labor and land costs increase, China is losing its comparative advantage and must improve its innovation. He said that research and development spending in China is too low. Minister Xu stated that a top priority for China is conservation of energy and water resources and environmental protection. Therefore MOST strongly supports the development of clean energy and energy efficient technologies. Minister Xu proposed the following:

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strengthen cooperation with the United States; establish a joint funding mechanism for energy research and development including both demonstration and commercial projects; joint formulation of preferential energy conservation policies and incentives; and increase cooperation in fighting communicable diseases.

Suggestions and Questions  
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¶10. (SBU) Secretary of Commerce Carlos Gutierrez suggested increasing cooperation on managing fisheries and prevention of overfishing and that this topic could be included in the next SED. Minister Zhou responded that China was already participating in some multilateral cooperation on this issue through the United Nations.

¶11. (SBU) Department of State Assistant Secretary Daniel Sullivan recommended that, if China wants to strengthen oil reserve technology and management, it should increase cooperation with the International Energy Agency which works on coordinating strategic stocks.

¶12. (SBU) NDRC Vice Chairman Zhang Xiaoqiang discussed reforms to separate power plant operations from power grid operations to increase competition. He said that China will upgrade grids in rural areas. Vice Chairman Zhang stated that China will continue energy reforms so that prices reflect cost.

¶13. (SBU) Matthew Slaughter, Member of the Council of Economic Advisors, underscored that energy markets and price signals foster sustainable economic growth and minimize the impacts of energy shortages. Treasury Secretary Henry Paulson asked how China requires coal-fired power plants to use clean technology. NDRC Chairman Ma Kai replied that China has established 970 coal cleaning sites and is also pursuing IGCC technology.

Ministry of Finance Picks Up the Check  
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¶14. (SBU) Minister of Finance Jin Renqing stated that the United States has leading energy efficient and environmentally friendly technologies and that China wants to buy them. Minister Jin promised that the Ministry of Finance

would implement policies to encourage Chinese companies to use more energy efficient and environmentally friendly technologies.

Participants  
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¶15. (U) United States:

--Henry Paulson, Secretary of Treasury  
--Clark T. Randt, Jr., United States Ambassador to China  
--Michael Leavitt, Secretary of Health and Human Services  
--Samuel Bodman, Secretary of Energy  
--Carlos Gutierrez, Secretary of Commerce  
--Elaine Chao, Secretary of Labor  
--Susan Schwab, United States Trade Representative  
--Stephen Johnson, Administrator of the Environmental Protection Agency  
--Benjamin Bernanke, Chairman of the Federal Reserve  
--James Lambright, Chairman and President of Ex-Im Bank  
--Daniel Sullivan, Assistant Secretary, Department of State  
--Andrew Steinberg, Assistant Secretary, Department of Transportation

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--Matthew Slaughter, Member of Council of Economic Advisors

¶15. (U) Chinese Delegation:

--Wu Yi, Vice Premier  
--Jin Renqing, Minister of Finance  
--Ma Kai, Chairman of National Development and Reform Commission  
--Xu Guanhua, Minister of Science and Technology  
--Tian Chengping, Minister of Labor and Social Security  
--Liu Zhijun, Minister of Railways  
--Li Shenglin, Minister of Communications  
--Wang Xudong, Minister of Information and Industry  
--Bo Xilai, Minister of Commerce  
--Gao Qiang, Minister of Health  
--Zhou Xiaochuan, Governor of People's Bank of China  
--Li Changjiang, Administrator of General Administration of Quality Supervision, Inspection, and Quarantine  
--Zhou Shengxian, Administrator of State Environmental Protection Administration  
--Zhou Wenxiong, Chinese Ambassador to the United States  
--Xu Shaoshi, Deputy Secretary-General, State Council  
--Yang Jiechi, Senior Vice Minister, Ministry of Foreign Affairs  
--Zhang Xiaoqiang, Vice Chairman, National Development and Reform Commission  
--Li Yong, Vice Minister, Ministry of Finance  
--Yi Xiaozhun, Vice Minister, Ministry of Commerce  
--Hu Xiaolian, Vice Governor, People's Bank of China  
--Li Ruogu, Chairman of China Export-Import Bank  
SEDNEY